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EASTERN DISTRICT OF CALIFORNIA
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THE LAW OFFICES OF WILLIAM W. PALMER
WILLIAM W. PALMER - State Bar No. 146404

1241 Carter Road
Sacramento, California 95864
Telephone : (916) 972-0761

Attorney for Plaintiffs Chris Lusby Taylor,
Nancy A. Pepple-Gonsalves

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF CALIFORNIA

CIV.S- 01 - 2407 FCD GGH

Case No.:

CHRIS LUSBY TAYLOR, NANCY A.
PEPPLE-GONSALVES,

On behalf of themselves and other persons
similarly situated,

Plaintiff,

vs.

KATHLEEN CONNELL, in her capacity as
STATE CONTROLLER OF THE STATE OF
CALIFORNIA,

Defendant.

CLASS ACTION COMPLAINT FOR:

- (1.) DECLARATORY RELIEF;**
- (2.) VIOLATION OF 42 U.S.C. § 1983**
(Procedural Due Process Fourteenth
Amendment Violations);
- (3.) VIOLATION OF 42 U.S.C. § 1983**
(Takings Clause of the Fifth Amendment
Violations);
- (4.) VIOLATION OF 15 U.S.C. §§ 77a-**
77bbb, 78a-78hh
(Federal Securities Laws Violations);
- (5.) VIOLATION OF CAL. C.C.P. § 1300,**
et seq.
(Unclaimed Property Law, C.C.P. §§1300,
et. seq., Violations);
- (6.) INJUNCTIVE RELIEF;**
- (7.) ACCOUNTING;**
- (8.) ATTORNEY FEES AND COMMON**
FUND.

DEMAND FOR JURY TRIAL

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III.

CLASS ACTION ALLEGATIONS

6. This is a class action brought by Plaintiffs on their own behalf and on behalf of all other shareholders similarly situated pursuant to F.R.C.P. 23(b)(1)(A) and 23(b)(2). The proposed class consists of all individuals who are or were, at any time between 1989 to present stockowners whose investments were confiscated and sold by Defendant without notice and due process.

7. Although the exact number, identity, and location of persons in the proposed class is readily discernable based on the Defendant's own records for the period 1989 to present. Based on information and belief, the number of persons in the proposed class will be in excess of 10,000. Those persons in the class are therefore so numerous that joinder of the entire proposed class is impractical. The Class is composed of numerous residents of California, as well as persons and businesses disbursed throughout the United States and other countries, the joinder of whom is impracticable. The disposition of their claims in the Class action will provide substantial benefits to the parties and to the Court.

8. There are questions of law and fact common to all members of the proposed class, to-wit, whether Defendant has complied with the Constitutional and statutory requirements for the taking and sale of stock investments.

9. Plaintiffs' claims are typical of those of the members of the proposed class, who are subject to the same deprivations of their property and rights as shareholders. There is a well-defined community of interest in the questions of law and fact involved in this case. The issues and questions of fact and law are common to the members of the Class that predominate over questions that may affect individual members.

1 after seizing and prior to the sale of their stock investments. Plaintiffs and members of the
2 general public were deliberately mislead and deprived of material facts regarding their ownership
3 of securities and in fact Defendant made every effort to interfere with and divest Plaintiffs of
4 their stock-related rights and privileges without due process. Based, among other things, on
5 Defendant's breach of her statutory obligation to notify Plaintiffs, Defendant is estopped from
6 asserting a statute of limitations and has waived any such defense.
7

8 15. Specifically, Plaintiffs could not have known Defendant was engaged in the illegal
9 activities described above. Plaintiffs only discovered these facts after a detailed investigation
10 that included hiring an attorney in California, reviewing applicable law, and obtaining the
11 information at their own expense that Defendant was obligated by law to provide.
12

13 16. Plaintiffs had a right to rely upon Defendant, who had common law and statutory
14 duties, and who took an oath as an elected official to uphold the constitutions of the United
15 States and the State of California, which included affording Plaintiffs constitutionally sufficient
16 notice and due process prior to the seizure and sale of their private stock investments and
17 appraising them of the true facts relating to their investments.
18

19 V.
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21 **NATURE OF THIS ACTION**

22 17. This action is based on the unconstitutional conduct of Defendant under color of state
23 law. Plaintiffs and Class Members are stockholders and investors living in California, the United
24 States, and other countries, who have invested in United States Corporations.

25 18. Plaintiffs allege that the Defendant has unlawfully seized and is in possession of
26 Plaintiffs' stock and those investments of similarly situated shareholders and that the Defendant is
27 illegally withholding the stock investments or has sold them. Plaintiffs allege that their stock
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1 investments were taken from them without their knowledge and sold by the Controller under color of
2 state law without notice and due process.

3 19. As such, Defendant's conduct is *ultra vires* insofar as she acted beyond her authority and
4 outside her constitutional office in direct violation of the United States and California Constitutions.
5 Defendant is the elected official charged under the California Constitution with overseeing the
6 estimated \$2.7 billion Unclaimed Property Fund for the State of California. Defendant's actions
7 were allegedly first prompted by a lack of funds during the period of 1989 to 1994. (See Exhibit A -
8 an internal history of mishandled stock prepared by the Controller and incorporated herein by
9 reference.) The lack of funding allegedly precluded Defendant from providing direct mail notice to
10 known owners of stock and publication notice as required by the United States and California
11 Constitutions and relevant statutory sections of the Unclaimed Property Law, California Code of
12 Civil Procedure sections 1300, et. seq. (hereinafter, "UPL").

13 20. The same California budgetary crisis prompted the Controller to increase efforts to audit
14 companies, banks, and other financial institutions, typically referred to as "Holders" under the UPL,
15 and to seize private stock investments, under threat of fine. Because of California's worsening
16 budget crisis, which was exacerbated by roughly \$50 billion in electricity purchases during 2001, the
17 Controller has stepped up and increased her efforts to seize stock investments from private savings,
18 retirement, and employee stock plans.

19 21. Starting in 1989, Defendant further made a series of unpublished, internal policy
20 decisions, such as the decision to immediately sell all stock certificates received or in the possession
21 of the state, which was later authorized by statute, and to relax enforcement of UPL provisions that
22 required the Holders to locate "lost" shareholders. The UPL provisions applicable to Holders - the
23 companies and banks - required that the stock investments would only escheat if the identities or the
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1 owners were "unknown" or "lost," after a 7-year dormancy period. As evidence of whether a
2 shareholder has abandoned stock, the Holder is required to review whether an investor has failed to
3 cash dividends, respond to proxy notices, or otherwise failed to communicate with the Holder.
4

5 22. At the Controller's urging, the dormancy period was later shortened by the legislature
6 from 7-years to 5-years, and, in 1995, further reduced to a 3-year window of time. Thus, for
7 example, if a stockowner fails to respond or to communicate during the 3-year time period, the
8 Controller has concluded that she is entitled to seize and to immediately sell the private stock
9 investment without notice to the investor. The Controller accomplishes the seizure by requiring the
10 corporations and their agents to create a list of the so-called "lost" and "unknown" shareholders and
11 to generate duplicate shareholder certificates.
12

13 23. Plaintiffs allege that the Holders either failed or were precluded by Defendant from
14 taking appropriate action under the relevant federal and state securities laws. The Holders, which are
15 the publicly traded corporations and their agents, are required to exercise due diligence in order to
16 avoid the presumption of abandonment, act in good faith, maintain accurate records, and provide
17 written notice to Plaintiffs and Class prior to divesting the shareholders of their investments.
18

19 24. Plaintiffs allege that the Defendant, using color of law, interfered with the contractual
20 and fiduciary relations that run from corporations and their agents to Plaintiffs, who are minority
21 stock investors. At times, Defendant sent her agents outside the State of California and to other states
22 in order to force the surrender of stock investments, which was done under threat of fines and
23 penalties issued by Defendant against the corporations and their agents. The Controller hired agents
24 through improper "sole-source" contracts, which is in and of itself a violation of state guidelines.
25 The agents were then paid a consulting fee together with a "bounty" or percentage of all investments
26 seized from the companies located in the different states. In order to comply with the Controller's
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1 demands, the Holders separately surrendered duplicate stock certificates and then delivered a list of
2 the investors' names to the Controller. Once the Controller received the duplicate certificates, the
3 stock investments were sold through private brokers and the proceeds were deposited in the general
4 fund for the State of California.
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6 25. Starting in or about 1995, the Controller and her staff made the purposeful decision to
7 disregard the Controller's notice and due process obligations altogether. The Controller determined
8 that it was "impractical" and not cost efficient to publish the individual names, addresses and stock
9 information as required by statute, nor was it necessary to notify known stockowners with direct mail
10 notice. Instead, the Defendant determined that generic "block ads" were sufficient constitutional
11 notice to the owners of the stock investments. (See Exhibit B for examples of the "block ads" and
12 other generic advertisements.) Consequently, the investors whose stock was seized and sold by the
13 Controller have no reason to suspect that their investments were taken. In many instances the
14 investors hold the original stock certificates and have received no notice that their stock was taken
15 from them and sold by the Controller.
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17 26. Thus, as discussed in greater detail below, Defendant's actions in taking possession of
18 Plaintiffs' and Class Members' stock investments without notice and due process or the
19 knowledge and consent of the Plaintiffs and Class violates the express provisions of the UPL, state
20 and federal securities laws, and the California Constitution, Article I, §§ 7, 15 and, the "due
21 process" clauses of the United States Constitution, Fifth and Fourteenth Amendments, the latter
22 of which states that *no state* shall "deprive *any person* of life, liberty, or *property* without due
23 process of law," and the Contract Clause of Article I, Section 10 of the United States
24 Constitution.
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FACTUAL ALLEGATIONS

A. The Plaintiffs And Their Stock Investments.

27. Plaintiffs are typical of stockholders around this country and other countries who acquire stock and hold the securities in publicly traded American corporations. For example, Chris Lusby Taylor is a resident of England and worked on the development of the microprocessor for Intel Corporation during the period of roughly 1978 to 1983. His wife was the General Counsel for Intel Corporation in Europe. In exchange for his contributions to Intel, he was allowed to invest a portion of his income in Intel for which he received serialized stock certificates. Chris Lusby Taylor also received stock options, which he later redeemed for more Intel stock, and he received a pension. To this day, Intel continues to correspond with Chris Lusby Taylor regarding his stock and his pension fund and the company knows precisely where he lives. However, sometime in or about 1992, the Controller caused Intel to issue duplicate stock certificates representing the stock owned by Chris Lusby Taylor, and roughly 600 of his European colleagues, which Defendant then unlawfully seized the shares of stock and sold them without notice and due process. As a result of the Controller's actions, Chris Lusby Taylor and the other men and women who assisted in the formation of Intel Corporation hold original stock certificates that are now worthless.

28. Nancy A. Pepple-Gonsalves was a flight attendant for twenty years and set aside a portion of her salary to invest in TWA, which eventually totaled 7000 shares of stock. In or about 1990, the Controller caused TWA to issue duplicate stock certificates, representing Ms. Pepple-Gonsalves shares of stock, which the Defendant sold, without notice or due process, and then deposited the proceeds in the general fund. As with Chris Lusby Taylor, the company at all

1 times knew precisely where Nancy A. Pepple-Gonsalves lived in the State of California, or could
2 readily have located her using her Social Security Number. However, like Chris Lusby Taylor,
3 the Controller made the arbitrary and capricious determination that she was "lost" and
4 "unknown" and used this decision to justify the unlawful seizure of her stock investments. Nancy
5 A. Pepples-Gonsalves is typical of 2,000 other TWA stockholders who had their shares in the
6 company unlawfully seized by the Defendant.

8 **B. The Decision To Sell Plaintiffs' Stock Investments.**

9
10 29. Since the inception of the Unclaimed Property program until 1989 the internal policy
11 of the Controller's Office was to retain a "position", or set of securities certificates in stock that
12 escheated to the Controller under the UPL, so that stockowners who filed claims with the
13 Controller could be paid later in certificate form. Pursuant to the UPL, the Holders delivered a
14 list of "lost" or "unknown" stockowners to the Controller along with a separate set of duplicate
15 shareholder certificates. Thus, duplicate certificates are delivered to the Controller along with a
16 list of the purported owners of the stock for each publicly traded company. However, because the
17 stockowner still retains the original certificates and in some instances is actively communicating
18 or employed by the company, the individual, such as Plaintiffs and Class Members, would have
19 no reason to suspect their investments are being seized and sold by the Controller for the State of
20 California.
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23 30. The UPL operates under the legal fiction that an individual has abandoned his
24 investment if certain indicia are met, such as the failure to cash dividends, vote on a merger, or
25 mail in a proxy over an extended period of time. Until the 1970s, the period of time was 16
26 years, which was shortened in 1990 to seven years, and then further shortened to five years, then,
27 in 1995, shortened to three years. As California became increasingly cash-strapped, the UPL
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1 was identified by the Controller as a revenue source, and the period of presumptive abandonment
2 was shortened to three years, and is in some cases arbitrarily shortened even further to as little as
3 six months. Thus, the Controller now presumes abandonment and seizes and sells stock
4 investments after a period of as little as or less than three years if the investor fails to cash a
5 dividend, vote, or mail in a proxy.
6

7 31. The Controller takes these actions though the individual is known to the company
8 and a list of the known owners of the stock is provided to the Controller that includes, in nearly
9 every case, the stockowners' addresses, taxpayer and social security numbers. The Controller
10 sells the investments and deposits the bulk of the \$2.7 billion in unclaimed property in the
11 general fund.
12

13 32. Only a small fraction of the unclaimed property, perhaps \$20 million, is maintained
14 as "petty cash" on hand to cover the needs of those individuals who step forward to claim their
15 investments. The original rationale for maintaining a stock position was so that claimants could
16 be paid in certificate form as they stepped forward to claim their property. (See page 2 of
17 Exhibit A.) The original policy of payment in certificate form avoided exposure to the
18 fluctuations of the stock market and the situation where the Controller may have sold stocks for a
19 loss, due to the appreciation of the stock market. The unwritten rule created by policy makers at
20 the Controller's Office prior to 1989 is that they did not feel that the Controller should be
21 exposed to liability based on the increased value of the given stock investment, hence the internal
22 policy of compensating the owner in certificate form.
23

24 33. Beginning in 1989, this unwritten internal policy of compensating the claimant in
25 certificate form was discarded by the Controller, and other internal policies discussed below,
26 were permanently changed.
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1 **C. The Controller's Decision to Disregard Notice and Due Process Obligations.**

2 34. Plaintiffs allege that after 1989 the Controller disregarded her legal obligations to
3 provide direct mail notice and publication notice to investors upon their seizure of their stock
4 investments.
5

6 35. Additionally, until 1989, the Bureau of Unclaimed Property published the
7 stockowner's names in newspapers, as required by law, in each of the 58 counties in California
8 that listed a named owner's last known address, as indicated on the Controller's computer files.
9 In the mid-1980s the Controller also used a Locator Unit with a staff of three people that
10 attempted to locate owners and return their property to them. Both common law and statute
11 require that the Controller actively locate the owners of property so that the property may be
12 returned.
13

14 36. Funding for both the Locator Unit, direct mail to owners, and the publication of
15 names in the newspapers was not available after 1989. (See page 2 of Exhibit A.) In 1994, some
16 publication funding was restored, and the Bureau began placing generic "block ads" (see Exhibit
17 B) in newspapers of wide circulation. In November 1994 the "block ads" began running and
18 were, in theory, designed to cover property reports and notices that required under the UPL for
19 the period running from 1990 through 1993. As Exhibit B graphically illustrates, the collection
20 of block ads are generic, nonspecific, and contain a coupon that a member of the public might
21 mail to the Controller's office in order to determine, in theory, whether the state was holding lost
22 property for the given member of the public. The block ads provide no notice to Plaintiffs and
23 Class Members who are in many instances holding original shareholder certificates and thus
24 would have no reason to suspect that Defendant has seized their investments. The bottom of
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1 each generic "block ad" contains a footnote that states the advertisements are "*in lieu of*" the
2 Controller's statutory duties to provide notice and due process.

3 37. In or about 1995 another internal policy decision was made by the Controller to
4 permanently adopt the "block ad" as the only notice that would be provided to stockowners when
5 their investments were seized and sold by the Controller. This decision was based on
6 expediency, cost, and the "impracticality" of publishing thousands of names and property
7 descriptions of the supposedly "lost" and "unknown" stockowners in newspapers.
8

9 38. Also, beginning in 1995 the Controller began publishing the "block ads" at times of
10 the year that were calculated to minimize the number of members of the public who would see
11 the advertisements, such as just before major holidays when many people leave for or on
12 vacation. The rationale of the Controller for publishing the advertisements during these off-
13 times is that her limited staff is unable to handle the large influx of calls generated by the
14 advertisements.
15

16 39. Thus, no direct mail notice or any meaningful notice was provided to known owners
17 of shares of stock as their property was confiscated by the Defendant, who then sold their stock,
18 again without notice. The block ads were so inadequate that claimants were afforded no
19 reasonable opportunity to learn of the escheat proceeding and of its effect on their claims, or to
20 appear in order to protect their stock and property rights. Plaintiffs allege that the Controller's
21 actions are unconstitutional and that their stock investments were seized and sold without their
22 knowledge under color of state law. As illustrated by the Plaintiffs, one of whom resides in
23 England, the Controller took these steps outside the boundaries of the State of California.
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1 **D. Defendant Violated her Constitutional Duties.**

2 40. The Controller is obligated by her oath of office to uphold the California and United
3 States Constitutions. Plaintiffs allege that the seizure and sale without notice and due process of
4 a citizen's property, such as their stock investments by an elected officer of the government, such
5 as Defendant, is a gross violation of the law and repugnant to our form of government.
6 Specifically, Plaintiffs allege that Defendant's conduct violated the California Constitution,
7 Article I, §§ 7, 15 and, the United States Constitution, Fourth, Fifth, and Fourteenth
8 Amendments, the latter of which states that *no state* shall "deprive *any person* of life, liberty, or
9 *property* without due process of law," and the Contract Clause of Article I, Section 10.
10

11
12 **E. Defendant's Conduct Further Violated And Interfered With California and Federal**
13 **Securities Laws.**

14 41. Defendant's conduct further violates the Federal Securities Acts (and the State of
15 California's own Corporations Code or "*Blue Sky Laws*") that are designed by congress to
16 protect investors. Among other things, these laws expressly preclude interference with its
17 citizens' stock investments.
18

19 42. For example, the Securities Act of 1933 (15 U.S.C. §§ 77a-77bbb) and the Securities
20 and Exchange Act of 1934 (15 U.S.C. §§ 78a-78hh) (hereinafter referred to as the "1933 Act"
21 and the "1934 Act") are designed specifically to protect members of the public, such as Plaintiffs
22 and Class, and their stock investments.
23

24 43. The federal securities rules set forth in Sections 11 and 12(1), 12(2), 13(e) of the
25 1933 Act, and Sections 13(e), 13e-3, 14(a), 14(e), 15(c)(1), 16(b), and 18 of the 1934 Act are
26 designed to protect the public and stock investors like Plaintiffs and Class, thus guaranteeing
27 them the right to transfer and hypothecate their shares of stock as they please, to receive timely
28 material information on their investments, to vote on shareholder issues, etc. These federal laws

1 as enacted by Congress and other common laws further specify that a corporation must provide
2 timely, material information regarding an individual's investments. Furthermore, these laws
3 specify that a fiduciary relationship exists and runs from the corporation, its board of directors,
4 and majority shareholders to minority stock investors like Plaintiffs. Defendant's unlawful
5 conduct interfered with the federal and state securities laws and fiduciary relationships that were
6 designed to protect Plaintiffs and Class Members.
7

8 44. The unlawful seizure of Plaintiffs' and Class Members' stock by Defendant without
9 notice and due process violates Federal Securities laws and directly interferes with the
10 application of the federal laws, such as the 1933 Act and the 1934 Act, that were designed and
11 enacted by our federal Congress to protect the public.
12

13 45. The Defendant interfered with the common law and statutory fiduciary duties that
14 run from corporations, boards of directors and majority shareholders in favor of Plaintiffs. Using
15 unconstitutional, unstated criteria, Defendant audited and threatened to fine any company that
16 did not surrender stock. The stock was then transferred to private stockbrokers and sold and the
17 proceeds used as a revenue stream to balance the State of California's budget. At no time was
18 the Controller authorized by Plaintiffs and Class Members to confiscate their stock. The
19 Plaintiffs did not otherwise cause title to transfer to the Defendant as required by U.C.C. Article
20 8, which guides the transfer of stock in California and the United States. Consequently, the stock
21 is not and has never been the property of the Controller or the State of California, but remains the
22 private property of Plaintiffs and Class.
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F. The Controller Violated Her Own State Laws, Such As The Unclaimed Property Act (UPL), Code of Civil Procedure §§ 1300, et. Seq. So That Her Actions Are Ultra Vires And Outside The Law.

46. A fundamental purpose of the Unclaimed Property Law (UPL) that the Defendant swore to uphold is to protect unknown owners by locating them and restoring their property and to give the state the benefit of the use of it. Defendant breached the UPL by confiscating the property of "known" owners, without notice, and selling their stock investments without their knowledge. Plaintiff alleges specific examples of the statutory breaches as follows:

1. Defendant Failed To Determine Whether Plaintiffs Met The Threshold Requirements Of The UPL And Whether They Were Truly "Lost" And "Unknown."

47. Defendant is charged with the responsibility of upholding the UPL and protecting the public from its misapplication. At all times Plaintiffs allege that their identities and locations were known, or should have been known to the Holders and the Controller upon exercise of reasonable due diligence. Defendant simply failed or refused to carry out her statutory obligations to police the Holders and require them to notice Plaintiffs prior to escheat as required by the UPL, state and federal securities laws, and the Holders' common law fiduciary duties.

48. As evidence of this fact, several of the Plaintiffs and Class have received mail at their current addresses from the various companies and agents within the last year, though their identities were supposedly unknown to the Holders the late 1980s and early 1990s. In fact, in or about December of 2000, TWA began returning stock to various shareholders, whose identities were listed as lost and "unknown" and among the lists maintained by Defendant.

49. The UPL in effect became a tool for some Holders (companies and banks) to divorce themselves from unwanted shareholders, which resulted in obvious advantages to the Holders in

1 the form of reduced administrative costs, increased retained earnings, and increased control
2 among the remaining shareholders, among other advantages.

3
4 **2. Defendant Failed To Provide Statutory Notice And Publicly Stated That She Has**
5 **Only A "Moral" Duty To Provide Notice And Due Process.**

6 50. Defendant publicly disaffirmed her notice and due process obligations, publicly
7 stating through her agents that she has only a "moral" obligation to notify stockowners when she
8 seizes and sells their investments. Between the years 1989 through 1994, Defendant lacked the
9 budget and consequently did not provide notice and due process to Plaintiffs and Class. Under
10 California Code of Civil Procedure section 1531, the Controller was expressly required to
11 provide notice to the Plaintiffs both by publication of notice and through direct mail and
12 publication within fixed periods of time. Specifically, during the period from 1984 to 1990,
13 section 1531 required direct mail notice and publication notice within set periods of time so that
14 the relevant provisions read, in pertinent part:
15

16 (a) Within 150 days after the receipt of property as required by Section
17 1532, the Controller shall cause a notice to be published, in a newspaper of
18 general circulation which the Controller determines is most likely to give notice to
19 the apparent owner of the property. The Controller need not publish any name the
20 publication of which is not likely to give notice to the apparent owner of the
property. The Controller need not publish any name the publication of which is
not likely to give notice to the apparent owner.

21 (b) Each published notice shall be entitled "notice of names of persons
22 appearing to be owners of unclaimed property" and shall contain the names in
23 alphabetical order.

24 (c) Each published notice shall also contain a statement that information
25 concerning the amount or description of the property may be obtained by any
26 persons possessing an interest in the property by addressing any inquiry to the
Controller.

27 (d)

28 (e) Within 120 days from the filing date for filing the report required by
Section 1530, the Controller shall mail a notice to each person having an address

1 listed therein who appears to be entitled to property of the value of \$25 or more
2 escheated under this chapter.

3 (f) The mailed notice shall contain:

4 (1) A statement that, according to a report filed with the Controller,
property is being held to which the addressee appears entitled.

5 (2) The name and address of the person holding the property and
6 any necessary information regarding changes of name and address of the
holder.

7 (3) A statement that, if satisfactory proof of claim is not presented
8 by the owner to the holder by the date specified in the published notice,
the property will be placed in the custody of the Controller and all further
9 claims must be directed to the Controller.

10 51. Section 1531 was subsequently amended so that between the years 1991 to 1996 the
11 relevant subsections state:

12 (a) Within one year after payment or delivery as required by Section 1532,
13 the Controller shall cause a notice to be published, in a newspaper of general
14 circulation which the Controller determines is most likely to give notice to the
15 apparent owner of the property. The Controller need not publish any name the
16 publication of which is not likely to give notice to the apparent owner of the
property.

17 (b) Each published notice shall be entitled "notice of names of persons
18 appearing to be owners of unclaimed property" and shall contain the names in
alphabetical order.

19 (c) Each published notice shall also contain a statement that information
20 concerning the amount or description of the property may be obtained by any
21 persons possessing an interest in the property by addressing any inquiry to the
Controller.

22 (d)

23 (e) Within 180 days after payment or delivery of escheated property as
24 required by section 1532, the Controller shall mail a notice to each person having
25 an address listed therein who appears to be entitled to property of the value of \$25
26 or more escheated under this chapter.

27 52. As of 1997, section 1531 reads:

28 (a) Within one year after payment or delivery of escheated property as
required by Section 1532, the Controller shall cause a notice to be published, in a

1 newspaper of general circulation which the Controller determines is most likely to
2 give notice to the apparent owner of the property.

3 (b) Each published notice shall be entitled "notice to owners of unclaimed
4 property."

5 (c) Each published notice shall also contain a statement that information
6 concerning the amount or description of the property may be obtained by any
7 persons possessing an interest in the property by addressing any inquiry to the
8 Controller.

9 (d) If an account paid or delivered to the Controller pursuant to Section
10 1532 includes a social security number, the Controller shall request the Franchise
11 Tax Board to provide a current address for the apparent owner on the basis of that
12 number. The Controller shall mail a notice to the apparent owner for whom a
13 current address is obtained if the address is different than the address previously
14 reported to the Controller.

15 53. Beginning in 1989 and continuing to present, Defendant knowingly failed to provide
16 notice by publication and direct mail as required by Code of Civil Procedure section 1531. In
17 November 1994, Defendant attempted to remedy the lack of notice and compliance with 1531 by
18 publishing single "block ads" that ran in publications of major circulation. In or about 1995,
19 Defendant discontinued her notice and due process obligations altogether and currently relies
20 only on the so-called non-descript "block ads" and the internet to meet notice and due process
21 requirements.

22 54. The 1994 "block ads" published in certain newspapers as notice to the unclaimed
23 property owners was constitutionally deficient as a matter of law and do not satisfy the various
24 iterations of the UPL (1984-1990;1991-1996;1997-present) or the due process clauses of the
25 United States and California Constitutions.

26 55. Likewise, though the Plaintiffs' records contain social security and taxpayer
27 identification numbers, Defendant failed to request that the Franchise Tax Board provide current
28 addresses in order to provide them with notice by direct mail as required by statute.

1 **3. Defendant Failed to Verify the Holder's UPL Obligations.**

2 56. Defendant also failed to verify that the Holders had accurately reported the stock
3 investments (C.C.P. §1530), delivered all property (C.C.P. §1532), and Defendant failed to
4 verify that the companies and their bank transfer agents had transmitted notice to Plaintiffs prior
5 to escheating his shares of stock (C.C.P. § 1513.5). Under these sections and others, the Holders
6 were not to escheat investments unless, depending on the applicable version of the statute, a 7-
7 year, 5-year, or 3-year dormancy period had expired and the owner's identity was unknown.
8 Furthermore, the Holder was required to exercise due diligence under the UPL, federal, state, and
9 common law securities laws, and to act in good faith.
10

11 **G. The Damages Caused To Plaintiffs and Class Members By Defendant's Actions, Arbitrarily.**

12 57. Defendant's actions in the illegal confiscation and sale of stock resulted in
13 significant, readily calculable damages to Plaintiffs and Class Members. In most instances
14 Defendant has returned the liquidated sums representing some investments, which amount to
15 roughly .10¢ on the dollar, after the reduction in appreciation and application of the 38% tax and
16 other costs. Because Defendant immediately sold the stock investments, the shares of stock did
17 not appreciate during the rapid rise in the stock market during the 1990s or receive dividends and
18 stock splits. The appreciation in value, receipt of dividends and stock splits would otherwise
19 have occurred absent Defendant's conduct.
20

21 58. For example, the Defendant's records appear to show Plaintiff Chris Lusby Taylor is
22 entitled to 1058 shares of stock, when in reality had the stock received the appropriate splits he
23 would be entitled to 52,224 shares of Intel stock. The Controller's account for Chris Lusby
24 Taylor is entitled to roughly \$200,000.00, when his investment should have reached a recent
25 high in excess of \$3,864,576.00 (52,224 shares x \$74.00 per share = \$3,864,576.00).
26
27
28

1 the United States Constitution, Fifth and Fourteenth Amendments.

- 2 (c) Whether Defendant violated California's own "Blue Sky Laws"
3 Corporations Code (*see also* California Constitution, Article XX, §5
4 [authority of State to govern corporations]) and Federal Securities laws
5 (1933 Act and 1934 Act) by interfering with Plaintiffs' investment and their
6 right to, among other things, transfer their shares of stock, receive material
7 information on his investments, and vote on shareholder issues.
- 8 (d) Whether Defendant has failed and currently fails to comply with the notice
9 provisions set forth in Code of Civil Procedure section 1531 (as
10 amended, 1984-1990; 1991-1996; 1997-present) by failing to provide mail and
11 publication notice to owner.
- 12 (e) Whether Defendant failed to fulfill her obligations to verify that the
13 corporations fulfilled their obligations under Code of Civil Procedure
14 sections 1530 and 1531.5, and in all other ways complied with the UPL.
- 15 (f) Whether the State of California's current laws, with respect to generic block
16 ads and failure to provide mail notice to known owners violates the due
17 process clause of the California and the United States Constitutions.

18 63. The dispute between Plaintiffs and Defendant is actual and concrete, and involves a
19 significant financial burden unilaterally imposed upon Plaintiffs based on the loss of their
20 investments. A determination of the rights and duties of the parties is necessary and proper at
21 this time in order that Plaintiffs may ascertain their rights, and establish as a matter of law that
22 Defendant has violated her obligations and duties under the above laws such that, based on any
23 one of the above violations, Plaintiffs and Class are entitled to the disgorgement and return of
24 either their stock investment or the return of the reasonable value thereof.

25 **Second Claim**
26 **(Violation of 42 U.S.C. § 1983)**
27 **(Procedural Due Process)**

28 64. Plaintiffs repeat and reallege the allegations set forth in paragraphs 1 through 63 as
though fully set forth herein.

1 65. The Due Process Clause of the United States Constitution prohibits the State of
2 California from depriving citizens of a protected property interest without due process of law.

3 66. Plaintiffs had a constitutionally protected property interest in stocks that they owned,
4 but that nevertheless escheated to the State of California between 1989 and 1994.

5 67. Defendant took action affecting Plaintiffs' constitutionally protected property interest
6 by seizing and liquidating Plaintiffs' stock investments. The seizure and sale of Plaintiffs' stock
7 investments stripped Plaintiffs of their right to obtain the benefits of many years of appreciation
8 of the stock, triggered capital gains taxes of roughly thirty-eight percent, and resulted in other
9 unnecessary fees and costs.

10 68. Defendant deprived Plaintiffs' of their protected property interests without due
11 process of law by:

- 12 (a) Failing to provide timely mail notice to Plaintiffs, whose identity and contact
13 information Defendant either knew, or by the exercise of reasonable diligence
14 should have known, that Plaintiffs property had escheated to the State of
15 California pursuant to the UPL;
- 16 (b) Failing to provide timely publication notice to Plaintiffs that their property
17 had escheated to the State of California pursuant to the UPL;
- 18 (c) Failing to provide publication notice that was reasonably calculated, under all
19 the circumstances, to apprise Plaintiffs that their property had escheated to the
20 State of California pursuant to the UPL;
- 21 (d) Failing to provide timely mail notice to Plaintiffs, whose identity and contact
22 information Defendant either knew, or by the exercise of reasonable diligence
23 should have known, of Defendant's intention to liquidate Plaintiffs' stock
24 prior to Defendant permanently altering Plaintiffs' property in this manner;
- 25 (e) Failing to inform Plaintiffs, when such Plaintiffs filed claims for property
26 delivered to the Controller many years subsequent to the escheatment of
27 Plaintiffs' property, of the fact that (1) Defendant had failed to comply with
28 the Procedural Due Process clause in escheating Plaintiffs' stock and (2) the
value attached to Plaintiffs' property was based upon the amount the State
purportedly received from a sale of Plaintiffs' property of which Plaintiffs'
neither consented nor were aware;
- (f) Failing to ensure that the prior holders of Plaintiffs' property prior to
escheatment complied with the notice requirements imposed upon these

holders pursuant to California Code of Civil Procedure section 1513.5, among others.

69. Defendant's failure to comply with the requirements of the Due Process Clause of the United States Constitution in the manners outlined above has resulted in substantial monetary losses to Plaintiffs.

70. Based upon the foregoing, Plaintiffs are entitled to and hereby seek monetary damages in a manner commensurate with the damages they have suffered as a result of Defendant's violations of the Due Process Clause of the United States Constitution.

Third Claim
(Violation of 42 U.S.C. § 1983)
(Takings Clause of the Fifth Amendment)

71. Plaintiffs repeat and reallege the allegations set forth in paragraphs 1 through 70 as though fully set forth herein.

72. The Takings Clause of the United States Constitution prohibits the State of California from taking private property for public use without just compensation.

73. As set forth more fully above, the Controller has illegally taken control of and liquidated Plaintiffs' stock. The Controller has thereafter set the value of Plaintiffs' stock for reimbursement purposes as the price for which that stock was liquidated in the early 1990s, less taxes, fees, and expenses.

74. Plaintiffs are entitled to the return of their property. Specifically, Plaintiffs' stocks should be disgorged or valued at the highest market between the time of Defendant's wrongful seizure and liquidation of their stock investments.

75. Based upon the foregoing, Plaintiffs are entitled to and hereby seek monetary damages in a manner commensurate with the damages they have suffered as a result of Defendant's violations of the Takings Clause of the United States Constitution.

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Fourth Claim
(Violation of 15 U.S.C. §§ 77a-77bbb, 78a-78hh)
(Violations of Federal Securities Laws)

76. Plaintiffs repeat and reallege the allegations set forth in paragraphs 1 through 75 as though fully set forth herein.

77. The Securities Act of 1933 (15 U.S.C. §§ 77a-77bbb) and the Securities and Exchange Act of 1934 (15 U.S.C. §§ 78a-78hh) (hereinafter referred to as the "1933 Act" and the "1934 Act") are designed specifically to protect members of the public, such as Plaintiffs and Class, and their stock investments.

78. The federal securities rules, for example, found in Sections 11 and 12(1), 12(2), 13(e) of the 1933 Act, and Sections 13(e), 13e-3, 14(a), 14(e), 15(c)(1), 16(b), and 18 of the 1934 Act are designed to protect the public and stock investors like Plaintiffs and Class, thus guaranteeing them the right to transfer their shares of stock as they please, receive material information on their investments, vote on shareholder issues, etc. These laws, and others, further specify that a fiduciary relationship exists and runs from the corporation, its board of directors, and majority shareholders to minority stock investors like Plaintiffs. Defendant's conduct interfered with the federal securities protections designed to protect Plaintiffs.

79. Additionally, many of the Plaintiffs executed contracts with companies that further guaranteed their equity position in the given company based on unique contributions of intellectual property and work product.

80. The improper receipt and forced sale of Plaintiffs' stock by Defendant without notice and due process violates Federal Securities laws and directly interferes with the application of the federal laws, such as the 1933 Act and the 1934 Act, that were designed and enacted by Congress to protect the public.

81. The Defendant interfered with the common law and statutory fiduciary duties that run from corporations, boards of directors and majority shareholders in favor of Plaintiffs. Using unconstitutional, unstated criteria, Defendant audited and threatened to fine any company that did not surrender stock to the State of California. The stock was then sold and used to balance the State of California's budget.

82. Based upon the foregoing, Plaintiffs are entitled to and hereby seek monetary damages in a manner commensurate with the damages they have suffered as a result of Defendant's violations of the Federal Securities Laws.

Fifth Claim
(Violation of Cal. Code of Civil Procedure § 1300, et seq.)
(Unclaimed Property Act)

83. Plaintiffs repeat and reallege the allegations set forth in paragraphs 1 through 82 as though fully set forth herein.

84. A primary and fundamental purpose of California's Unclaimed Property Act ("UPL") is to protect unknown owners by locating them and restoring their property to them.

85. The UPL in effect during the relevant time period either expressly or impliedly required Defendant to:

- (a) Exercise reasonable diligence in determining whether, as a threshold matter, Plaintiffs' property was even subject to the UPL. Property only is subject to the UPL when its owners' identities and locations are "unknown." Thus, defendant bore the initial responsibility of determining whether Plaintiffs identities and locations were in fact "unknown;"
- (b) Publish timely notice to Plaintiffs of the escheatment of their property in the newspapers most likely to give each of these particular Plaintiffs notice that their property had escheated to the State of California;
- (c) Include within the published notice described in section (b), the actual names of Plaintiffs;
- (d) Mail timely notice to Plaintiffs of the escheatment of their property;
- (e) Verify that the holders of Plaintiffs' property prior to escheatment ("Holders") had accurately reported Plaintiffs' stock investments (CCP § 1530), delivered all of Plaintiffs' property (CCP § 1532), and properly transmitted notice to Plaintiffs prior to escheating Plaintiffs' stock (CCP § 1513.5);
- (f) Assign a value to Plaintiffs' stock upon liquidating it that was rationally related to the time and manner that Plaintiffs' stock was or should have been sold.

1 86. Based upon the foregoing, Plaintiffs are entitled to and hereby seek monetary
2 damages in a manner commensurate with the damages they have suffered as a result of
3 Defendant's violations of the Unclaimed Property Law.
4

5 **Sixth Claim**

6 **(Injunction)**

7 87. Plaintiffs repeat and reallege the allegations set forth in paragraphs 1 through 86 as
8 though fully set forth herein.

9 88. Plaintiff has no plain, adequate, or speedy remedy at law, and will suffer significant,
10 permanent and irreparable harm unless the Court issues preliminary and permanent injunctive
11 relief ordering Defendant to comply with the law, as set forth above, and to return Plaintiffs'
12 stock and the stock belonging to other injured investors.

13 **Seventh Claim**

14 **(For An Accounting By Defendant)**

15 89. Plaintiffs repeat and reallege the allegations set forth in paragraphs 1 through 88 as
16 though fully set forth herein.

17 90. Defendant never apprised Plaintiffs and Class Members of the true state of affairs
18 and that she had taken possession and sold his stock investments, but failed to take possession of
19 other property, or even what that property might be. In some instances, Plaintiffs and Class
20 Members received correspondence from company agents referring to the investors as both a
21 "stockholder" and a "bondholder" and promising a few hundred dollars for other investment
22 instruments that the agent had been holding since 1978. The letter noted that the investment
23 instruments would otherwise escheat to the State within an arbitrary, non-statutory period of
24 thirty (30) days. In other instances, some of the Class Members have received share certificates
25 from TWA without explanation.

26 91. The total amount of Plaintiff's damages, which included not only the improperly
27 sold stock investments, but other investment instruments (noted in the recent correspondence),
28 the proper calculation of principal and interest, and the unnecessary fees, costs, and taxes, cannot

1 be ascertained without an accounting for such property.

2 **Eighth Claim**

3 **(Attorney Fees and Common Fund)**

4 92. Plaintiffs repeat and reallege the allegations set forth in paragraphs 1 through 91 as
5 though fully set forth herein.

6 93. Plaintiffs, in acting as representative for all injured shareholders will by their success
7 in this litigation create a common fund consisting of all monies improperly received from the
8 improper acquisition and sale of stock without notice and due process that must necessarily be
9 refunded by Defendant to other affected shareholders, together with savings of future costs, fees
10 and taxes which will not have to be paid.

11 94. In creating such a fund, Plaintiffs are acting in good faith on behalf of all claimants
12 and are entitled to be paid for their legal expense in bringing and prosecuting this action.

13 95. This Court has equitable power to order the payment by Defendant of Plaintiffs' legal
14 expense from any funds held by and disgorged by Defendant in their budget and appropriated by
15 the Legislature, of from the common fund thus created.

16 **VIII.**

17 **Prayer for Relief**

18 **WHEREFORE**, Plaintiff prays for judgment against Defendants and each of them, as
19 follows:

20 1. For equitable and injunctive relief as determined by this court, including but not
21 limited to, imposition of a constructive trust over an accounting of any and all transactions
22 unlawfully entered into by Defendant without the appropriate notification of the public;

23 2. A permanent injunction restraining defendants from engaging in future unlawful
24 and/or improper transactions, as alleged in this Complaint;

25 3. Restitution and disgorgement of ill-gotten gains to the public and/or claimants in the
26 form of an order requiring Defendant to refund the stock investments taken from Plaintiff and
27 other injured investors that Defendant obtained by engaging in the conduct which violates the
28 UPL, California Corporations Code and Federal Securities Acts, State and Federal Constitutions;

THE LAW OFFICES OF
William W. Palmer
1241 Carter Road - Sacramento - California - 95841
TEL: 916/491-7000 FAX: 916/491-7001

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- 4. For an accounting;
- 5. For creation of a common fund;
- 6. For a reasonable sum of attorneys' fees incurred by Plaintiffs to date and to be incurred by Plaintiff hereinafter in connection with this action;
- 7. For all costs incurred by Plaintiffs to date and to be incurred by Plaintiffs hereafter in connection with this action; and
- 8. For such other and further relief as the Court deems just and proper.

Dated this 21st day of December, 2001, at Sacramento, California.

Law Offices of William W. Palmer

By: 
WILLIAM W. PALMER
Attorney for Plaintiffs

DEMAND FOR JURY TRIAL

Plaintiff hereby demands a trial by jury.

Law Offices of William W. Palmer

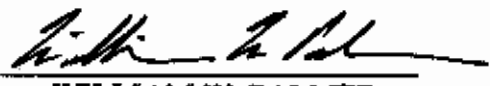
By: 
WILLIAM W. PALMER
Attorney for Plaintiffs

EXHIBIT A

BLUE CHIP STAMPS/BERKSHIRE HATHAWAY ⁽¹⁾

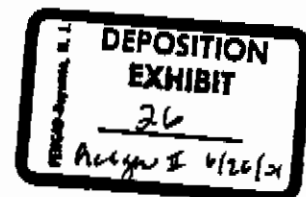
Historical Information

July 16, 1997

BLUE CHIP STAMPS					
Date Received	Number Shares	Notice Sent	Shares Claimed	Shares Traded	Shrs Cnvt Berk/Hath
08/26/77	22	yes	0	22	0
04/10/79	114	yes	0	0	114
04/30/80	32	yes	0	0	32
11/06/80	205	yes	25	0	180
11/04/81	46	yes	0	0	46
05/21/82	36	yes	36	0	0
10/10/82	225	yes	0	0	225
Total	680		61	22	597

BERKSHIRE HATHAWAY				
Date Received	Number Shares	Notice Sent	Shares Claimed	Shares Traded
11/07/83 ⁽²⁾	45	yes	20	25
11/07/83 ⁽³⁾	24	yes	23	1
05/17/84	2	no	1	1
05/15/85 ⁽³⁾	2	yes	0	2
05/08/86 ⁽³⁾	3	yes	1	2
05/03/89 ⁽⁴⁾	132	yes	83	49
11/07/89 ⁽⁵⁾	642	no	127	515
12/18/90	1	no	0	1
12/02/92 ⁽⁶⁾	70	no	70	0
Total	921		325	596

- (1) Refer to the Report/Disbursement Information Section for Detail
 (2) Blue Chip Stamps Exchange
 (3) Merrill Lynch
 (4) Nebraska Reciprocity
 (5) Massachusetts Reciprocity
 (6) State Street Bank



Since the inception of the Unclaimed Property program, the Bureau has traded securities from time to time. However, the policy was to always retain a position so that claimants could be paid in certificate form. The rationale for this policy was due to the fluctuation of the stock market, and by paying in certificate form, owners were not exposed to the situation where we may have sold their stock for \$100.00 per share (for example), and when they came to claim, the stock had appreciated to \$500.00 per share. The policy makers at the time did not feel that the SCO should be exposed to such a situation of the increased value of a position, thus the reason for the policy of always paying in certificate form.

TRADE INFORMATION

DATE TRADED	SHARES TRADED	Broker	Gross	Com- mission	Fees	Net Proceeds	Net Rate Per Share
10/87	38	E. F. Hutton	\$158,840	\$101	\$0	\$158,739	\$4,177
06/90	100	Sutro	\$711,250	\$3,000	\$24	\$708,226	\$7,082
11/95	457	Prudential	\$14,248,750	\$27	\$427	\$14,248,296	\$31,118
09/96	1	Prudential	\$32,200	\$0	\$1	\$32,199	\$32,199
TOTAL	596		\$15,151,040	\$3,128	\$452	\$15,147,460	

NOTICE AND PUBLICATION INFORMATION

NOTICES:

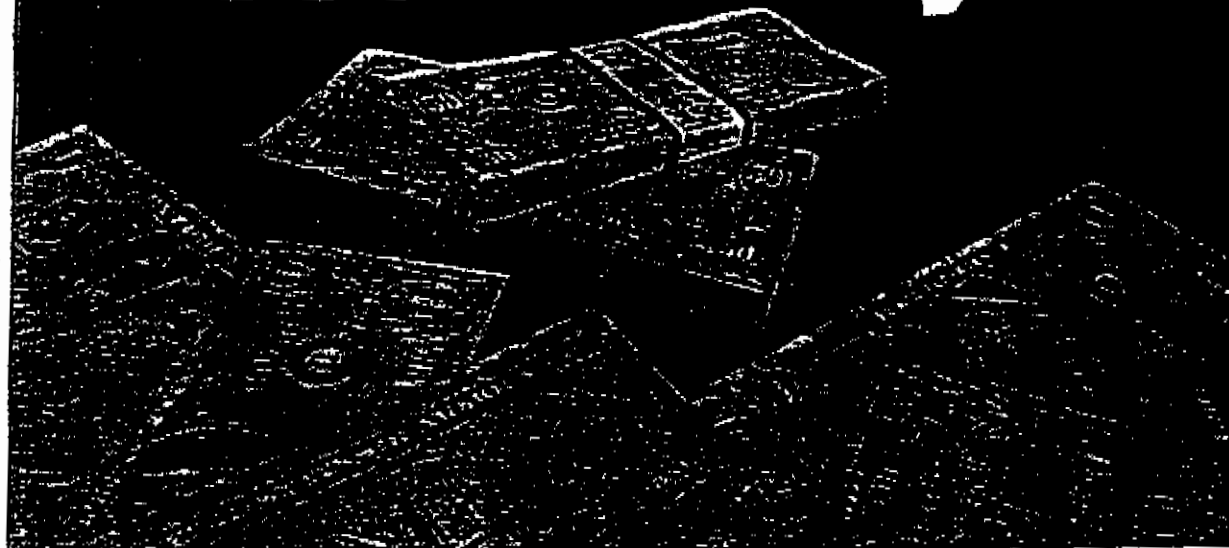
Prior to the implementation of the Franchise Tax Board SSN matching process in the late 1980's, as unclaimed property reports were uploaded to our database, notices were automatically generated and mailed to the owner's last known address. With the implementation of the FTB process, the Bureau's "notice process" was more effective because we were obtaining the owner's current address from the Franchise Tax Board.

PUBLICATIONS:

Through the 1989 report years, the Bureau of Unclaimed Property published the owner's names in each of the 58 counties in California that had a named owner's last known address, as indicated on our computer files, that was located in the county of publication. The last publication of this type was in the 91-92 fiscal year. In addition, in the mid 1980's the Bureau had a Locator Unit with a staff of three that attempted to locate owners and return their property to them. Funding for both the Locator Unit and the publication of names in the newspapers was not available after 1989. In 1994, some publication funding was restored, and the Bureau began placing "block ads" in newspapers of wide circulation. In November, 1994 the "block ad" covered unclaimed property reports from 1990 through 1993.

EXHIBIT B

Your Money?



Notice of Unclaimed Property - You May Be Owed Money!

The State Controller's Office has received unclaimed property belonging to over 2 million individuals and companies. This includes bank accounts, stocks, bonds, uncashed checks, and safe deposit box contents. Most accounts become unclaimed when there is no owner contact with the institution or account activity for three (3) years. Often the owner forgets the account exists, moves and does not leave a forwarding address or the forwarding address expires.

This money is waiting to be claimed by its rightful owners.



Call 1-800-992-4647

STATE CONTROLLER'S OFFICE

Bureau of Unclaimed Property

P.O. Box 942850, Sacramento, CA 94250-8873

Hours: 8:00 a.m. to 5:00 p.m., Monday through Friday

95/96

California Relay (Telephone) Service for the Deaf or Hearing Impaired from TDD phones: 1-800-735-2929 and ask for 1-800-992-4647

This ad is in lieu of CCP 1531 and is in accordance with Chapter 303, Statutes of 1995.

94/95 F.Y.

YOU MAY BE OWED MONEY!



Notice of Unclaimed Property

STATE CONTROLLER'S OFFICE
Division of Unclaimed Property
P.O. Box 942850
Sacramento, CA 94250-5873

The State Controller's Office has received unclaimed property belonging to over 2 million individuals and companies. This includes bank accounts, stocks, bonds, uncashed checks, and safe deposit box contents. Most accounts become unclaimed when there is no owner contact with the institution or account activity for three (3) years. Often the owner forgets the account exists, moves and does not leave a forwarding address or the forwarding address expires.

This money is waiting to be claimed by its rightful owners.

Call 1-800-992-4647

California Relay (Telephone) Service for the Deaf or Hearing Impaired From
TDD phones: 1-800-735-2929 and ask for 1-800-992-4647

This ad, covering accounts received in the 1989 through 1993 reporting periods, is in lieu of CCP 1531 and is in accordance with Chapter 139, Statutes of 1994.

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Your Money?

Notice of Unclaimed Property - You May Be Owed Money!



The State Controller's Office has received unclaimed property belonging to over 2 million individuals and companies. This includes bank accounts, stocks, bonds, uncashed checks, and safe deposit box contents. Most accounts become unclaimed when there is no owner contact with the institution or account activity for three (3) years. Often the owner forgets the account exists, moves and does not leave a forwarding address or the forwarding address expires.

This money is waiting to be claimed by its rightful owners.

Call 1-800-992-4647

9/5/96
F.C.

STATE CONTROLLER'S OFFICE

Bureau of Unclaimed Property, P.O. Box 942850, Sacramento, CA 94250-5873; Hours: 8:00 a.m. to 5:00 p.m., Monday through Friday

Please complete and mail to:

STATE CONTROLLER - P. O. BOX 942850 - Sacramento, CA 94250-5873

Last Name (Please Print or Type)

First Name

Middle Initial

Current Street Address

City

State

Zip Code

Previous Street Address

City

State

Zip Code

Previous Cities Lived In

() Daytime Phone Number

Signature

Social Security Number

Newspaper Name

California Relay (Telephone) Service for the Deaf or Hearing Impaired from TDD phones: 1-800-735-2228 and ask for 1-800-992-4647

If phone lines are busy, send in the attached coupon along with a self-addressed stamped envelope (#10 size).

000011

CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I. (a) PLAINTIFFS

C. Lusby Taylor, N. Pepple-Gonsalves

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF England
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)
William W. Palmer, Esq.
Law Office of William W. Palmer
1241 Carter Rd, Sac., CA. 95864
Telephone: (916) 972-0761

DEFENDANTS

Kathleen Connell, Controller

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT Sacramento
(IN U.S. PLAINTIFF CASES ONLY)
NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

ATTORNEYS (IF KNOWN)

II. BASIS OF JURISDICTION (PLACE AN "X" IN ONE BOX ONLY)

- ☐ 1 U.S. Government Plaintiff
☐ 2 U.S. Government Defendant
☒ 3 Federal Question (U.S. Government Not a Party)
☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN "X" IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)

- | | PTF | DEF | | PTF | DEF |
|---|----------------------------|----------------------------|---|----------------------------|----------------------------|
| Citizen of This State | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business in This State | <input type="checkbox"/> 4 | <input type="checkbox"/> 4 |
| Citizen of Another State | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business in Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

VI. ORIGIN (PLACE AN "X" IN ONE BOX ONLY)

- ☐ 1 Original Proceeding
☐ 2 Removed from State Court
☐ 3 Remanded from Appellate Court
☐ 4 Reinstated or Reopened
☐ 5 Transferred from another district (specify)
☐ 6 Multidistrict Litigation
☐ 7 Appeal to District Judge from Magistrate Judgment

V. NATURE OF SUIT (PLACE AN "X" IN ONE BOX ONLY)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 118 Insurance <input type="checkbox"/> 128 Marine <input type="checkbox"/> 138 Miller Act <input type="checkbox"/> 148 Negotiable Instrument <input type="checkbox"/> 158 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 161 Medicare Act <input type="checkbox"/> 182 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 183 Recovery of Overpayment of Veterans' Benefits <input checked="" type="checkbox"/> 190 Stockholders' Suits <input type="checkbox"/> 199 Other Contract <input type="checkbox"/> 198 Contract Product Liability	PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury PERSONAL INJURY - Med. Malpractice <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 375 Other Personal Property Damage <input type="checkbox"/> 380 Property Damage Product Liability	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 680 Other LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 750 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark SOCIAL SECURITY <input type="checkbox"/> 881 HIA (1395m) <input type="checkbox"/> 882 Black Lung (923) <input type="checkbox"/> 883 DIWC/DIWW (405(g)) <input type="checkbox"/> 884 SSD Title XVI <input type="checkbox"/> 885 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS - Third Party 26 USC 7609	<input type="checkbox"/> 408 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 438 Banks and Banking <input type="checkbox"/> 458 Commerce/ICC Rates/etc. <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 518 Selective Service <input type="checkbox"/> 528 Securities/Commodities/Exchange <input type="checkbox"/> 575 Customer Challenge 12 USC 3410 <input type="checkbox"/> 881 Agricultural Act <input type="checkbox"/> 882 Economic Stabilization Act <input type="checkbox"/> 883 Environmental Matters <input type="checkbox"/> 884 Energy Allocation Act <input type="checkbox"/> 885 Freedom of Information Act <input type="checkbox"/> 886 Appeal of Fee Determination Under Equal Access to Justice <input checked="" type="checkbox"/> 888 Constitutionality of State Statutes <input type="checkbox"/> 889 Other Statutory Actions
REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 250 All Other Real Property	CIVIL RIGHTS <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 Other Civil Rights	PRISONER PETITIONS <input type="checkbox"/> 510 Motions to Vacate Sentence HABEAS CORPUS: <input type="checkbox"/> 520 General <input type="checkbox"/> 530 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition		

VI. CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE BRIEF STATEMENT OF CAUSE. DO NOT CITE JURISDICTIONAL UNLESS DIVERSITY.)

This action arises under the "Takings Clause" of the Fifth Amendment, the Due Process Clause of the Fourteenth Amendment, and the Contract Clause of Article I, Section 10 of the United States Constitution and is based on the Defendant's unauthorized seizure and sale of Plaintiffs' and Class Members' stock investments without notice and due process.

VII. REQUESTED IN COMPLAINT:

☒ CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DEMAND \$

CHECK YES only if demanded in complaint:
JURY DEMAND: ☒ YES ☐ NO

VIII. RELATED CASE(S) IF ANY (See instructions):

JUDGE

DOCKET NUMBER

DATE

SIGNATURE OF ATTORNEY OF RECORD

December 31, 2001

William W. Palmer

FOR OFFICE USE ONLY

CIV.S- 01 - 2407 FCD GGH

RECEIPT # AMOUNT APPLYING IFP JUDGE MAG. JUDGE